

Message Text

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ACTION EB-07

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FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 1643

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY PARIS

AMEMBASSY RABAT

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PASS EXIM

E.O. 11652: N/A

TAGS: ENRG, AG, FR

SUBJ: ALGERIAN PETROLEUM GAS NOTES

REF: ALGIERS 2833

SUMMARY: FRENCH PETROLEUM ATTACHE HAD GENERAL ALGERIAN OIL DISCUSSION WITH EMBASSY ON JANUARY 7, 1975.

HIGHLIGHTS ARE REPORTED BELOW COVERING GAS FIELD DEVELOPMENT PLANS, OIL PRICES AND PRODUCTION, OPEC MEETING IN ALGERIA, AND GAS PRICES. END SUMMARY.

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1. ALGERIAN GAS FIELD PLANS--ALGERIAN DEVELOPMENT

PLANS FOR GAS FIELD HASSI R'MEL ARE DESCRIBED BY FRENCH AS FOLLOWS: SONATRACH WISHES TO HAVE FIELD CAPABILITIES TO TREAT 120 BILLION CUBIC METERS OF GAS A YEAR. THIS IS BROKEN DOWN INTO 52 BILLION CUBIC METERS OF GAS READY FOR PIPELINE FOR EXPORT AND DOMESTIC CONSUMPTION, 60 BILLION CUBIC METERS OF GAS TO BE REINJECTED AFTER CONDENSATE TAKEN OUT, AND 8 BILLION CUBIC METERS OF GAS LOST OR USED AT FIELD. AT PRESENT TIME GAS CLEANING CAPABILITY IS ABOUT 14 BILLION CUBIC METERS. PRITCHARD PLANT, REFTEL, WILL ADD ANOTHER 20 BILLION CUBIC METERS BY 1978. THUS NEGOTIATIONS WITH HUDSON AND CANODEL FOR RECYCLING AND REINJECTION PLANTS WILL CONTINUE TO BE PRESSED BY SONATRACH. HASSI R'MEL NOW HAS ABOUT 40 WELLS. SONATRACH PLANS ABOUT 120 NEW WELLS TO BE DUG OF WHICH 40 WOULD BE USED FOR REINJECTION.

2. TO DATE HASSI R'MEL GAS HAS CONTAINED ABOUT 200 GRAMS OF CONDENSATE PER CUBIC METER OF GAS. THUS 20 BILLION CUBIC METER PROCESSING PLANT OF PRITCHARD SHOULD PRODUCE FOUR MILLION TONS OF CONDENSATE A YEAR RATHER THAN 1 MILLION TONS AS FORECAST BY PRITCHARD IN REFTEL.

3. FRENCH ARE VERY WORRIED BY COLLAPSE OF EUROGAS DEAL FOR LIQUIFICATION AND EXPORT OF HASSI R'MEL GAS. CONTRACT IS IN "SHAMBLES" WITH ESTIMATES OF UP TO A YEAR TO RENEGOTIATE PROJECT. INCREASED CAPITAL COSTS JUST MADE LIQUIFICATION PROJECT IMPOSSIBLE TO FINANCE FOR SMALL AUSTRIAN AND GERMAN GAS COMPANIES TO FINANCE. ONLY IMMEDIATE RESULT IS DEMAND BY SONATRACH TO PUSH FEASIBILITY STUDIES OF WESTERN MEDITERRANEAN PIPELINE FOR GAS TO SPAIN AND FRANCE.

4. OIL PRICES AND PRODUCTION--NO FIRM FIGURES AVAILABLE ON ALGERIAN OIL PRICES FOR FIRST QUARTER OF 1975. HOWEVER, ALL RUMORS POINT TO A LOWER, DOLS. 12.00 A BARREL, PRICE FOR ALGERIAN CRUDE FOR COMPANIES INVESTING IN ALGERIAN EXPLORATION AND DOLS. 12.20 FOR COMPANIES NOT INVESTING IN ALGERIA. ALGERIANS STILL HAVING TROUBLE

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EXPORTING THEIR OIL. STORAGE CAPACITY OF TWO MILLION BARRELS NOW FILLED. LATEST INCENTIVE TO PRODUCING COMPANIES IN ALGERIA IS TO EXEMPT THEM FROM OBLIGATION TO DELIVER ABOUT 6 PERCENT OF THEIR PRODUCTION TO ALGERIAN REFINERIES. SONATRACH WILL DELIVER ITS OWN CRUDE TO REFINERIES.

5. FRENCH HAVE NO FIGURES, BUT HAVE HEARD OF SMALL

SPOT SALES OF ALGERIAN CRUDE AT LESS THAN DOLS. 12.00
A BARREL. ALGERIANS ALSO SELLING OIL PRODUCTS AT CUT
PRICES. SPECIFICALLY, CENTRAL AFRICAN REPUBLIC IS SAID TO HAVE
BEEN GIVEN SPECIAL PRICE.

6. DESPITE INCENTIVES TO SELL OIL, FRENCH COMPANIES'
PRODUCTION HAS SHOWN SLOW, STEADY DECLINE IN MONTHLY
PRODUCTION THROUGH OCTOBER 1974 WHICH IS LAST FIGURE
AVAILABLE. SINCE FRENCH ARE INVOLVED IN 75 PERCENT OF
ALGERIAN OIL FIELDS AND PRODUCE 22-24 PERCENT OF
ALGERIA'S OIL, THE REDUCTION IN FRENCH PRODUCTION SHOULD
BEAR A CLOSE RATIO TO OVERALL ALGERIAN REDUCTIONS IN PRODUCTION.
THIS WOULD MEAN TOTAL 1974 ALGERIAN OIL PRODUCTION OF
UNDER 50 MILLION TONS.

7. IT IS HARD TO PUT CART AND HORSE TOGETHER TO
DETERMINE REASON FOR PRODUCTION DECLINE. PRODUCING
COMPANIES SAY DEC, SECTION OF MINISTRY OF INDUSTRY AND
ENERGY, HAS COUNTERMANDED SONATRACH'S SELLING OFFICE
AND ORDERED REDUCTIONS IN PRODUCTION FOR CONSERVATION
REASONS.

8. OPEC-ALGERIANS HAVE BLOCKED HOTELS FOR A WEEK
AND ARE SAID TO EXPECT JANUARY 24 OPEC MEETING TO
CONTINUE THAT LONG. FRENCH UNDERSTAND THAT ALONG
WITH PREPARING FOR PRODUCER/CONSUMER MEETING, THIS
OPEC SESSION WILL CONSIDER PRICE OF GOLD AND REVALUATION
OF NATIONAL RESERVES. FOR THIS REASON ALGERIANS ARE
ASKING OPEC FINANCE MINISTERS TO ALSO PARTICIPATE IN
SESSIONS.

9. FRENCH BELIEVE PROBLEM OF AGENDA FOR PRODUCER/
CONSUMER MEETINGS RESOLVED BY AGREEMENT TO DISCUSS OIL
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FIRST AND THEN, SECOND, OTHER PRIMARY COMMODITIES. THIS
IS ACCEPTABLE TO FRENCH, BUT MODALITIES OF GUARANTEEING
SECOND TOPEC ARE NOT CLEAR.

10. GAS PRICE--FRENCH UNDERSTAND THAT ALGERIANS AND IRANIANS WILL
BE MEETING IN ALGIERS DURING JANUARY TO DISCUSS PRICE OF GAS.
RECENT HUGE IRANIAN LNG DEAL HAS REDUCED ALGERIAN
LEADERSHIP IN LNG EXPORT FIELD, SO IT IS NATURAL TO
EXPECT ALGERIANS TO TRY AND CREATE A COMMODITY AGREEMENT
FIXING LNG GAS EXPORT PRICES. IRANIAN AND RUSSIAN
SALES OF GAS AT UNDER ONE DOLLAR PER MILLION BTU HAS
PULLED RUG OUT FROM UNDER MIDDLE 1974 ALGERIAN ASKING
PRICE OF OVER 2.00 PER MILLION BTU. LATEST PRICES CITED IN
ALGERIAN/DISTRIGAS NEGOTIATIONS ARE ABOUT DOLS 1.15
PER MILLION BTU, BUT ESCALATION CLAUSES RAISE THIS TO

ABOUT DOLS 1.30 PLUS 60 CENTS TRANSPORTATION AND 20
CENTS REGASSIFICATION AND DISTRIBUTION FOR A DELIVERED
PRICE OF ABOUT DOLS. 2.10 PER MILLION BTU FOR
ALGERIAN GAS IN NEW ENGLAND AREA.
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